

# **BUSINESS RESPONSE TO SLAVERY SURVEY REPORT 2017**



## EXECUTIVE SUMMARY

In May and June 2017, the Mekong Club conducted a brief survey amongst its members and affiliates. The survey was designed to understand how the business community is responding to the issue of modern slavery within supply chains and business operations. An additional key aim of the survey was to understand the contribution of the Mekong Club.

## METHOD

Members and affiliates of the Mekong Club, together with selected organisations based in Hong Kong were sent a link to a brief online survey in May 2017. Fifty-two organisations were invited; the total number of complete responses was 32 (a 62% response rate).

It is possible that diverging opinions were not captured by this survey and the results may not be reflective of all Mekong Club members nor of the private sector due to the sampling approach and response rate. The sensitive nature of the topic and questions may have affected which questions were completed by respondents and limitations include the constraints of conducting an online survey.

## KEY FINDINGS

- Despite significant barriers, clear and tangible steps are being taken to identify and address modern slavery.
- Key factors driving a change in attitude towards modern slavery included company values, addressing risk, legislation and brand reputation.
- Most organisations surveyed had codes of conduct and policies that cover the issue, and a large number of these had been made public.
- Policies most commonly covered child labour, local country labour laws and human rights, but less frequently highlighted risky products or raw materials.
- Direct communication with suppliers, manufacturers and processing facilities was common.
- The vast majority of organisations felt that they could benefit from additional information or support on the issue.
- The level of staff training on awareness and identification of modern slavery varied according to specific needs, but some organisations offered no staff training at all.
- Legislation has prompted an increased focus on specific areas such as policy development and codes of conduct, as well as risk assessment and prioritisation.
- Half of respondents felt that mechanisms for detection are working 'quite well', although in the case of supply chain complexity there was a perceived need to enhance auditing, visibility and transparency.
- Key areas in need of action and improvement included collaboration, sharing of best practice and training.

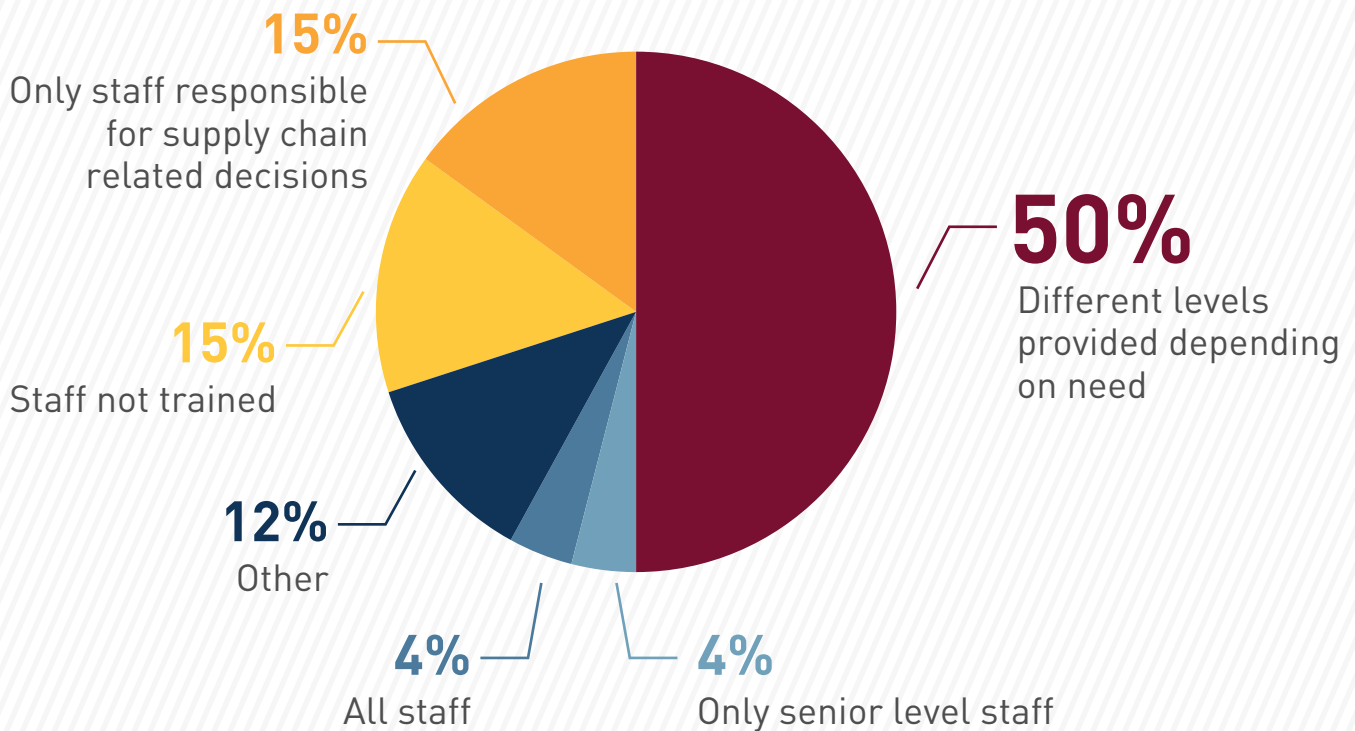
# BUSINESS RESPONSE TO SLAVERY SURVEY REPORT 2017 - KEY FINDINGS

## FINDINGS AT A GLANCE

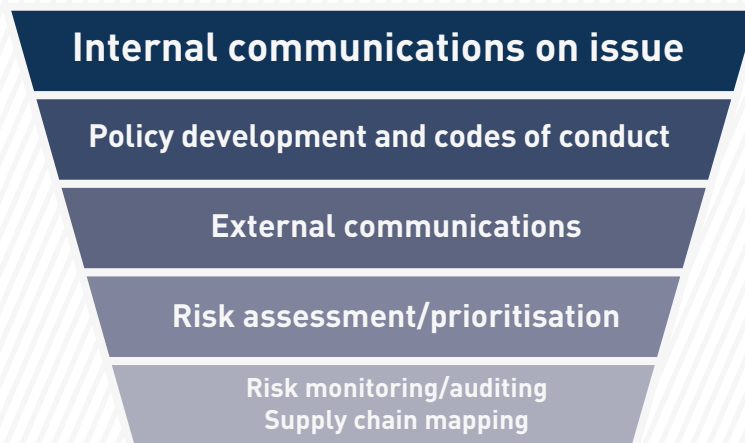
**79%** organisations have a code of conduct that covers modern slavery  
↓  
**71%** make this public

**54%** have a policy on modern slavery  
↓  
**62%** make this public

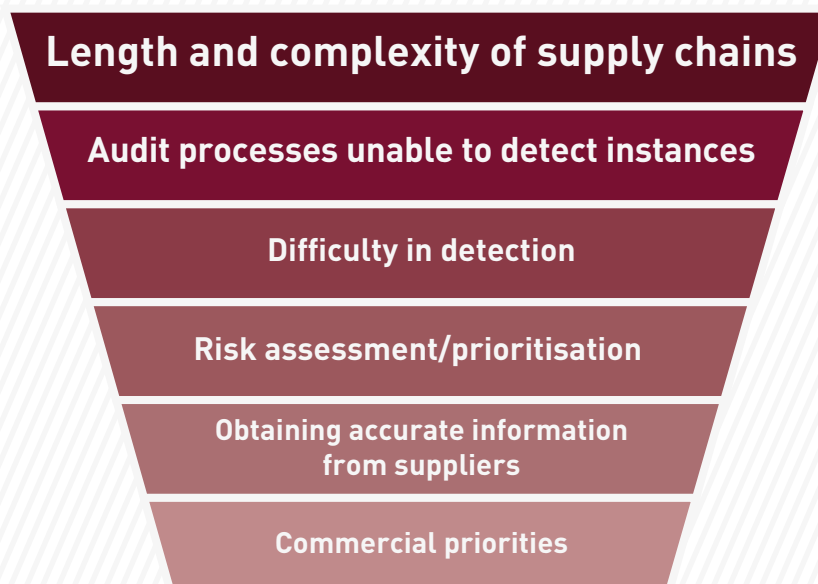
## STAFF TRAINING ON AWARENESS AND IDENTIFICATION OF MODERN SLAVERY



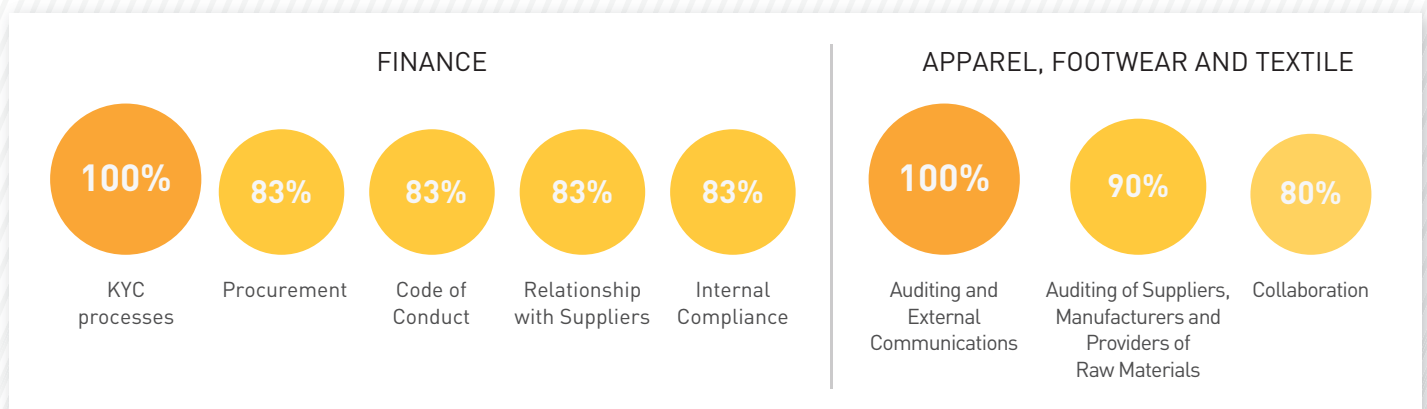
## INCREASED FOCUS FOLLOWING INTRODUCTION OF LEGISLATION



## BARRIERS TO IDENTIFYING AND ADDRESSING THE ISSUE



## METHODS USED TO IDENTIFY MODERN SLAVERY







**BACKGROUND**





## ABOUT THE MEKONG CLUB

The Mekong Club is the leading force uniting and mobilising businesses to fight the business of slavery in Asia. Members are invited to join other leaders determined to impact change, in industry-specific working groups, where they receive up-to-date information and expert training on issues pertinent to the unique challenges of their industry. As part of this approach, members meet regularly to share best practices, learn about tools which provide practical and tangible actions to tackle slavery and network with other like-minded professionals. Member companies also work together on annual deliverables which are used to provide tangible actions in the fight against forced labour.

## VISION AND MISSION

The vision of the Mekong Club is to harness the power of the private sector to prioritize slavery and trafficking, thereby changing business practices, which will ultimately end modern slavery in Asia.

Major objectives include: 1) using a facilitation process to identify the greatest challenges impacting companies addressing slavery; 2) identifying practical approaches and solutions to help address these challenges; 3) increasing the overall understanding and awareness of this issue throughout the business community in Hong Kong; and 4) developing awareness throughout the Mekong region to expand the reach and impact of the Association's work. In summary, the Mekong Club provides the basic foundation for corporate change in the fight against modern slavery within Hong Kong and across Southeast Asia.



## FOUR INDUSTRY WORKING GROUPS

As an Association, the Mekong Club targets four industry working groups. They include the following:

**Financial Services:** Annual profits from modern-day slavery are estimated to be US\$150 billion, most of which goes through the global banking system. Being on the front line of financial transactions, the financial services industry has a distinct advantage in being able to identify suspicious activity. Issues of interest include the importance of using big data to help identify “red flags”, understanding criminal patterns to develop systems to track this activity, and the importance of training to reach employees at all levels.

**Apparel and Footwear:** With extensive supply chain and manufacturing channels in multiple, usually underdeveloped countries, it can be difficult for companies to monitor their many outlets. Increased understanding of the ways that slavery can appear in supply chains is vital to effecting change. Issues of interest include developing risk assessment tools, standardizing auditing methods and approaches, consolidating information collected from audits across industries, and improving communication within companies across divisions.

**Retail:** Any amount of product sold that is found to have a link with modern slavery or child labour puts a retailer in a position of liability and huge reputation risk. Urged by public pressure and the need to safeguard their businesses, many of the biggest retailers worldwide have engaged in monitoring activities. Issues of interest include understanding how to inform and educate suppliers, how to identify the boundaries of supply chain involvement, and how to respond to naming and shaming.

**Hospitality:** There are dozens of touch points where human trafficking can occur in the hospitality industry: staff recruitment and food sourcing are only some of them. Due to the vast size of the industry, eradicating this issue has the potential to affect hundreds of thousands of lives. Issues of interest include how to train staff at different levels, how to address the four potential vulnerabilities within the hotel industry (i.e. forced prostitution, forced labour within supply chains, service contracts and construction), and how to develop standardized responses across hotel chains.





## BASIC PILLARS OF ACTIVITY

The Mekong Club Association is built on four “pillars of activity”. These represent core initiatives that are used to strategically collect information, analyze it and apply it to the process of bringing about change. The inter-relationship between these activities offers opportunities for companies to learn, share and apply the lessons learned and best practices that are used in the process. Below is a summary.

### **MULTI-STAKEHOLDER GROUP (ASSOCIATION)**

Bringing corporations together in unity to fight the business of modern slavery.

### **CORPORATE TOOLS**

Identifying and developing practical, innovative, and relevant tools to help address the issue of modern slavery.

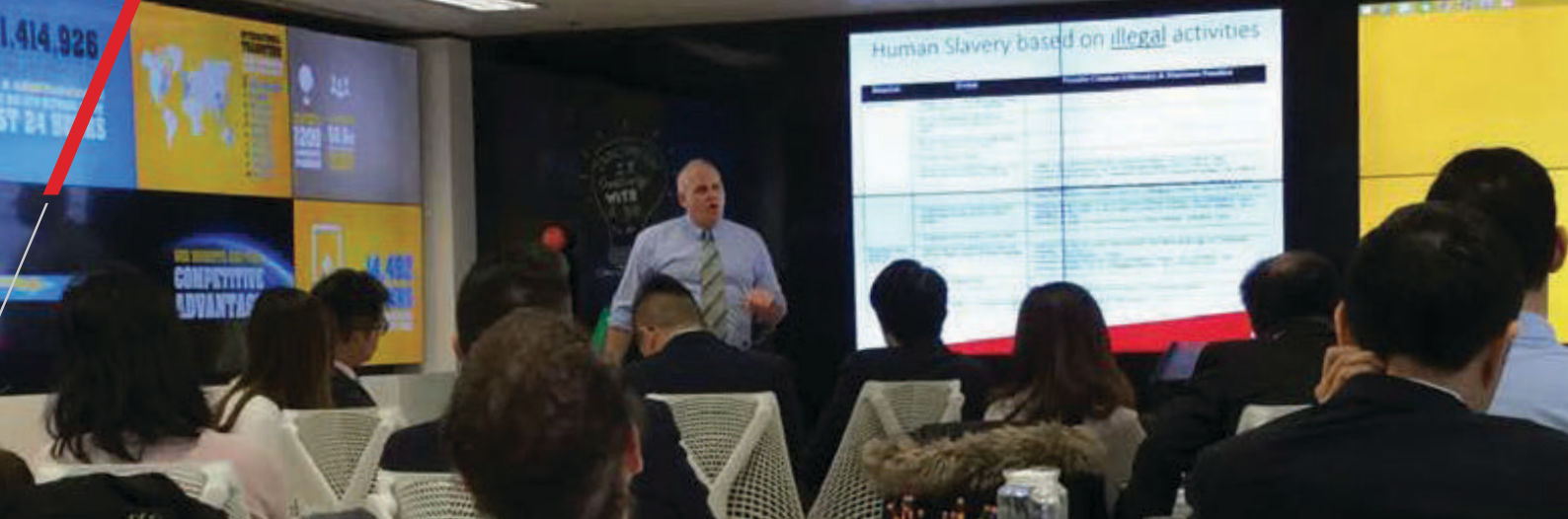
### **AWARENESS AND ADVOCACY**

Helping companies understand the risk of modern slavery and what can be done to address it.

### **LEADERSHIP**

Encouraging private sector partners and individuals to take a leadership role to influence and motivate a business response.





## WHAT DOES MEKONG CLUB MEMBERSHIP OFFER?

Below is a summary of the benefits offered to members of the Mekong Club:

### TOOLS AND INITIATIVES

- Practical guidance on best practices and successful case studies related to your industry.
- Knowledge Hub: An online centre of regularly updated information on the relationship between modern slavery and the private sector.
- eLearning Course: A series of educational videos and infographics tailored for a business audience.
- Access to anti-slavery initiatives and practices across a wide range of sectors and industries.
- A range of technical, logistical and support services to aid businesses in their efforts to address slavery.
- The knowledge and expertise of the Mekong Club and global slavery issue experts for advisory services where required.

### INDUSTRY-SPECIFIC WORKING GROUPS

- Quarterly practitioner-focused meetings on key issues/trends with expert speakers and closed-door sharing.
- Potential for joint action/advocacy.
- Opportunities for networking and best practice sharing with experts in the field of modern slavery and practitioners focused on this issue.



# SURVEY RESULTS





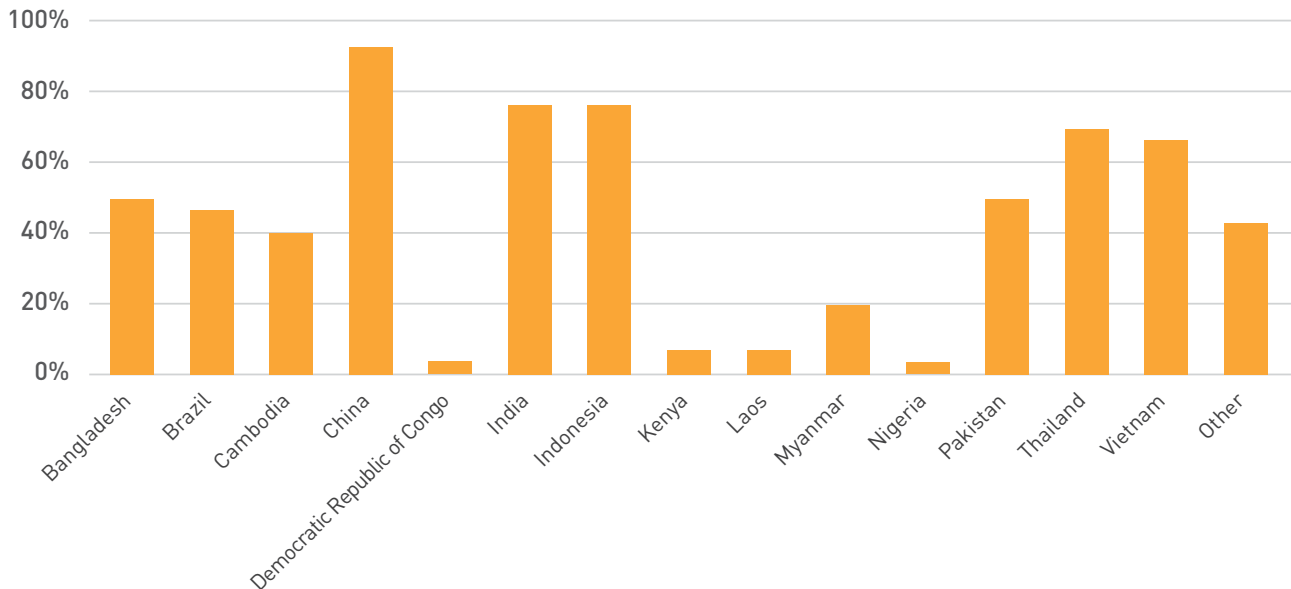
## BACKGROUND TO ORGANISATIONS

Eighty-seven percent of the organisations taking part in the survey had a global annual turnover of over USD \$250 million.

Sourcing for manufacture and production of goods and services as part of the supply chain took place globally with a concentration in Asia (see table below). Countries included China (93%), India and Indonesia (both 77%) and Thailand (70%). Additional responses included the USA, Turkey, Taiwan, South Korea, Mexico, Canada, Europe and South America.



## SOURCING COUNTRIES AS PART OF THE MANUFACTURE AND/OR PRODUCTION OF GOODS AND SERVICES



Answered: 30  
Skipped: 2

Respondents who took part in the survey were from the following sectors: apparel, footwear and textile (39%), finance (26%), consumer products/retail (19%), food and beverage (13%), furnishings and sports (nearly 10%). A quarter of respondents also stated 'other'; 'these included information services and retail' <sup>[1]</sup>. Apparel, footwear and textile (n=12) and finance (n=8) were the most prominent and disaggregated for the purposes of illustration of survey results.

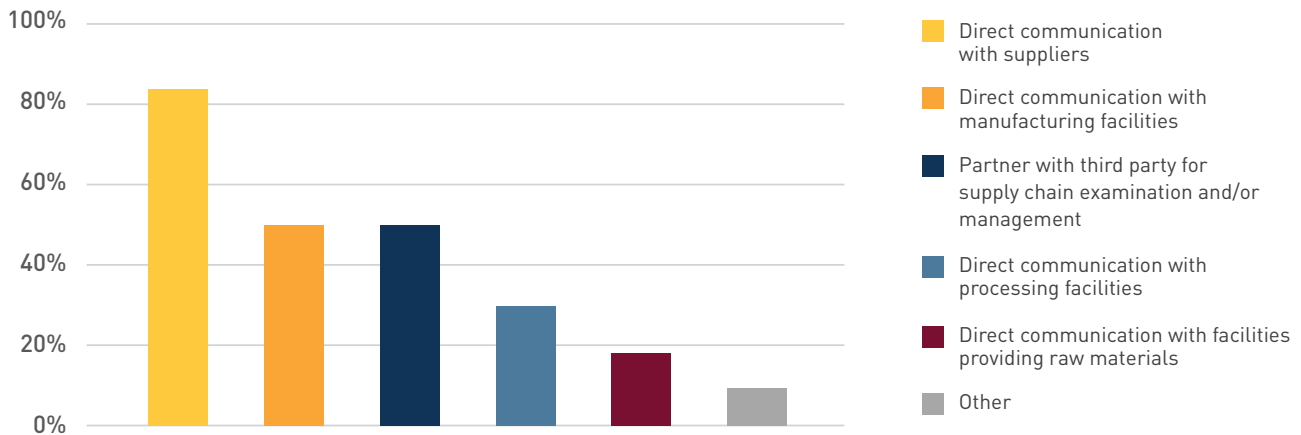
The issue of modern slavery was most commonly managed by the compliance team (37%) or the corporate social responsibility team (37%) with a quarter of respondents noting 'other'. These included being managed by staff from across the business and not just within one division, as well as compliance and responsible sourcing, sourcing and vendor management, procurement team and interested staff.

## INFORMATION ON STRUCTURE AND COMPLEXITY OF SUPPLY CHAINS

Across all sectors, information on the structure and complexity of a company's supply chain was generally sought via direct communication with suppliers (83%) whilst half of all organisations had direct communications with manufacturing (see table below). Fifty percent also partnered with third parties for supply chain examination/management, 30% reported direct communication with processing facilities and 17% noted direct communications with facilities providing raw materials.

<sup>1</sup> Respondents were able to check more than one category, for example, four respondents checked 'consumer products and retail' as well as 'apparel footwear and textile'. Organisations may therefore belong to more than one category and percentages may not add up to 100%.

## HOW INFORMATION ON STRUCTURE AND COMPLEXITY OF SUPPLY CHAIN IS SOUGHT



Answered: 30  
Skipped: 2

In the finance sector, five out of seven organisations (71%) answering this question reported direct communications with suppliers and four out of six (67%) reported partnering with third parties for supply chain examination/management. One respondent stated 'direct communication with clients'.

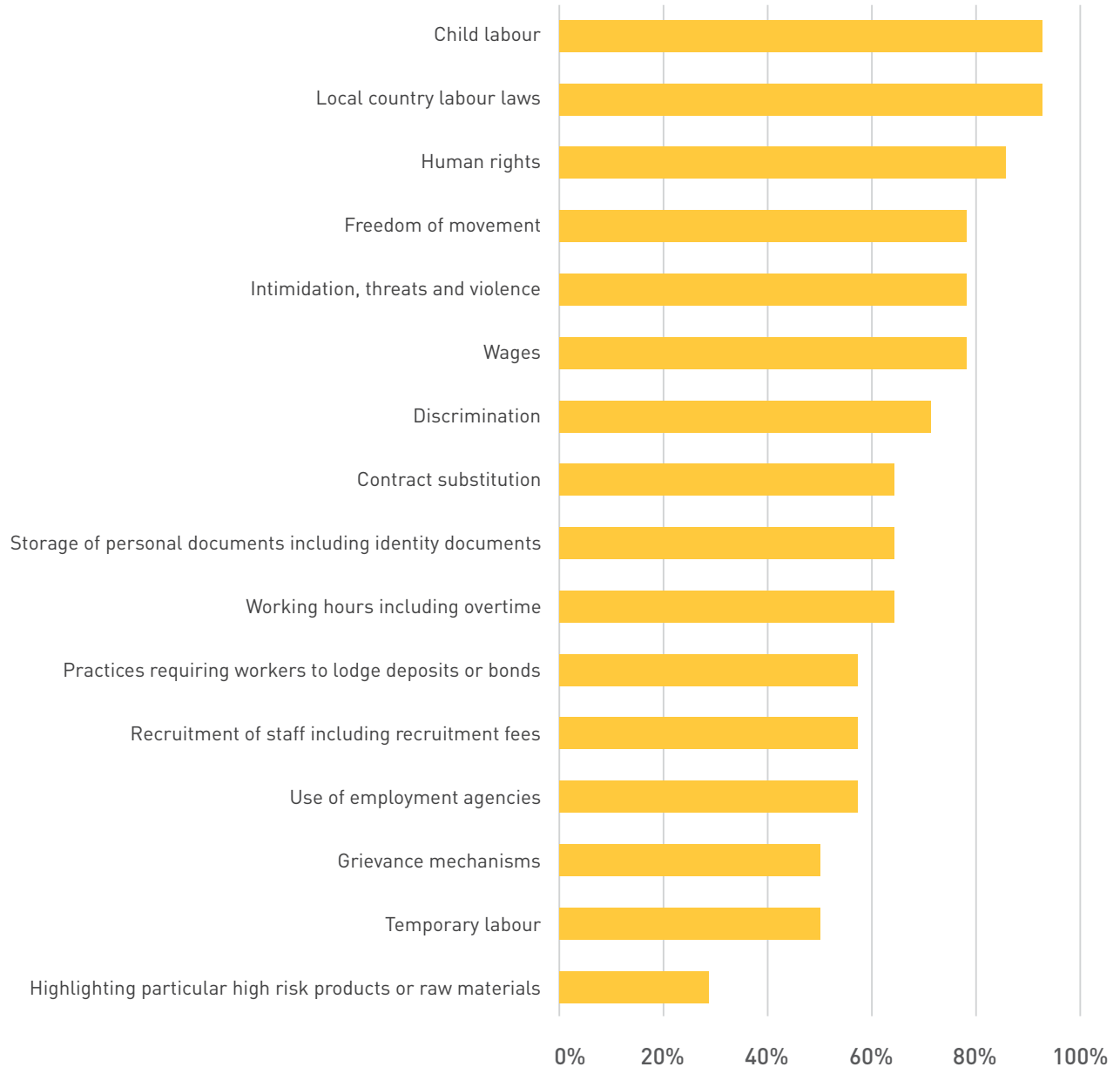
For the apparel, footwear and textile industry, all respondents reported direct communication with suppliers as well as manufacturing facilities. Fifty-eight percent also reported direct communication with processing facilities and 33% reported direct communication with facilities providing raw materials. Half of all respondents in this sector also reported partnering with third parties for supply chain examination/management. One respondent noted 'compliance teams of our clients who audit our company'.

## POLICY

Eighty-nine percent of organisations had a code of conduct for suppliers. For a majority (71%) these codes of conduct were made public, and most of them (79%) covered modern slavery. Around half of all organisations (54%) had a policy that specifically addressed modern slavery, and for 62% this was made public.

Modern slavery policies covered various areas (see table below). The most common areas covered were child labour (93%), local country labour laws (93%) and human rights (86%). Less common, although still frequently covered, were grievance mechanisms (50%), temporary labour (50%) and highlighting particularly risky products or raw materials (23%).

## AREAS COVERED BY THE MODERN SLAVERY POLICY



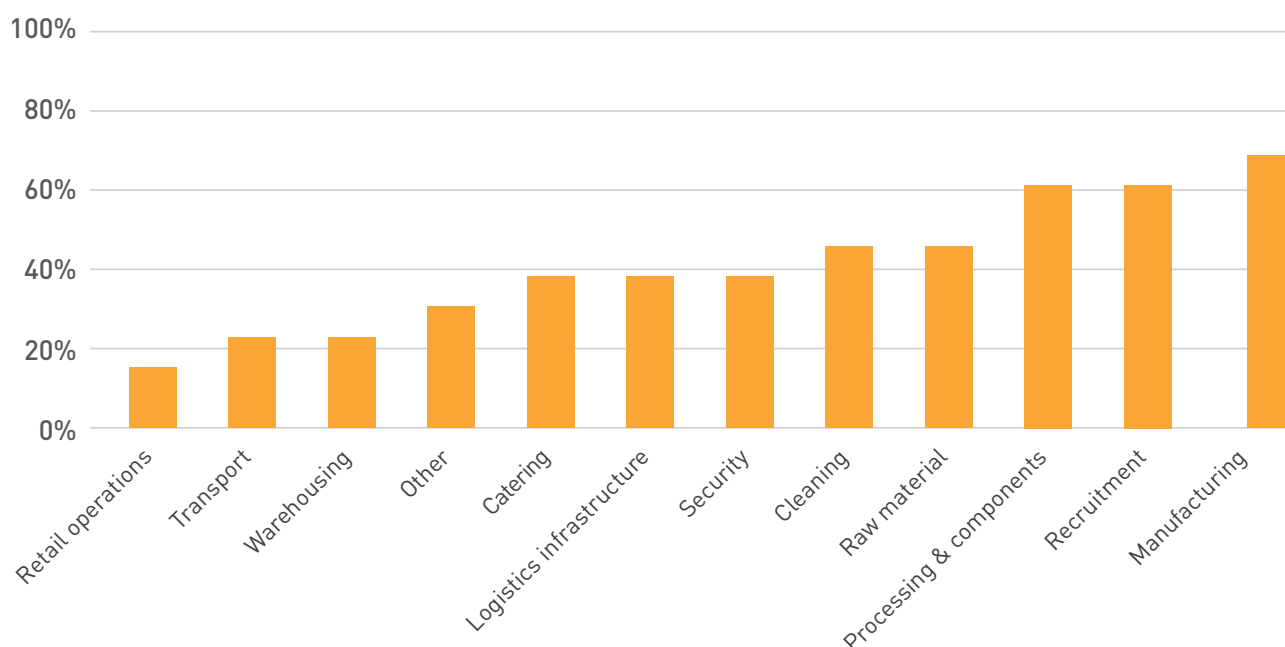
Answered: 14  
Skipped: 18

Suppliers, subcontractors and business partners covered by the modern slavery policy included:

- manufacturing (69%)
- recruitment (62%)
- processing and components (62%)
- raw materials (46%)
- cleaning (46%)



## SUPPLIERS, SUBCONTRACTORS AND BUSINESS PARTNERS COVERED BY THE MODERN SLAVERY POLICY



Answered: 13  
Skipped: 19

For those that answered this question there were differences by business sector. For the apparel, footwear and textile industry, the policy covered 'manufacturing' <sup>[2]</sup>, processing and components facilities, as well as raw materials (for all except one respondent). This meant that suppliers, facilities and subcontractors all the way down the supply chain were reported to come under the modern slavery policy for the apparel, footwear and textile industry.

For the finance sector, the three organisations that answered this question reported suppliers, subcontractors and facilities covered under the modern slavery policy included catering,

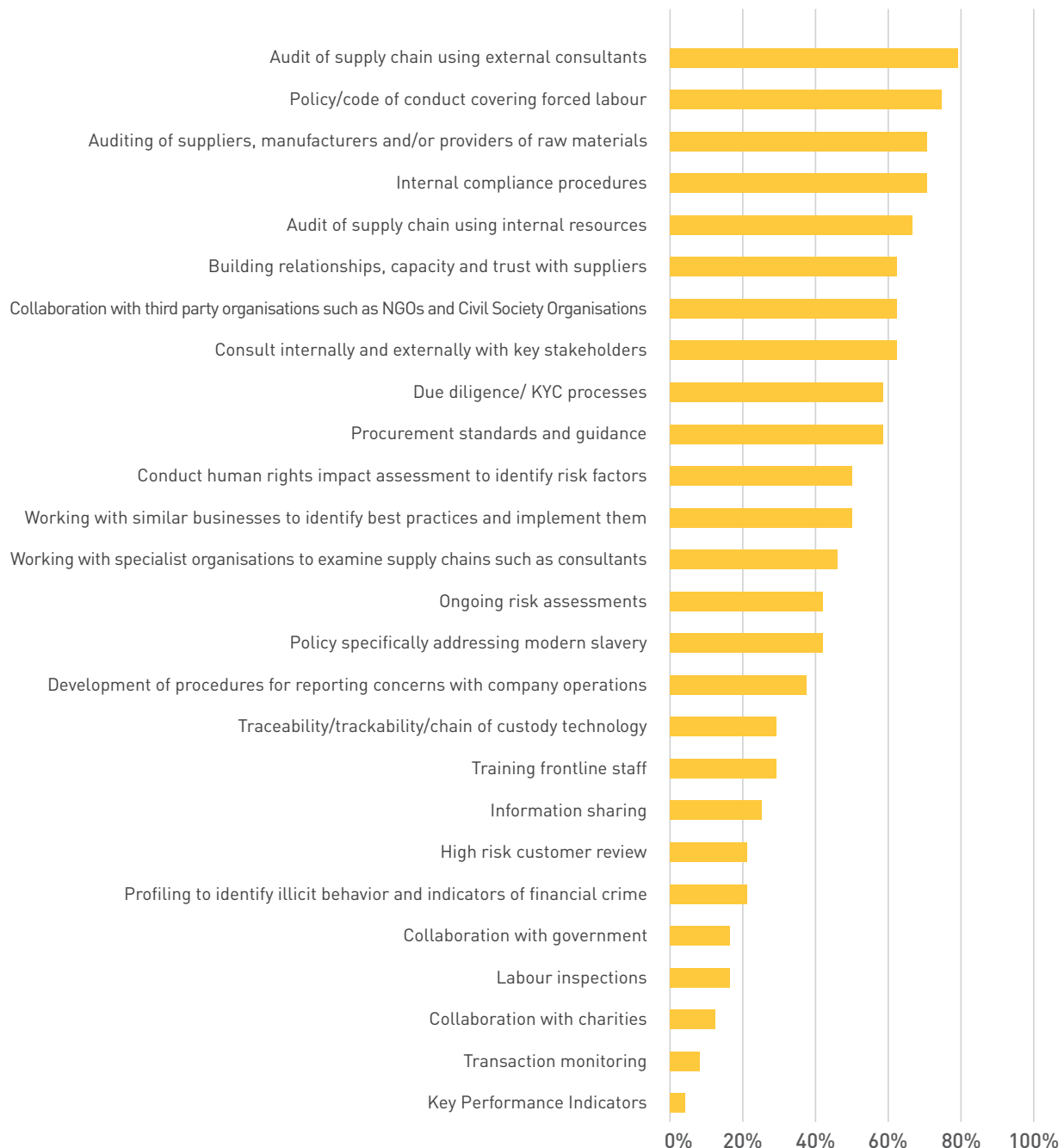
cleaning, recruitment and security, as well as transport and logistics for two organisations. Other individual comments included warehousing, information technology, and policy/statements covering all contractual suppliers.

### IDENTIFICATION OF MODERN SLAVERY

A variety of strategies and tools were employed to identify modern slavery throughout business operations. These are shown below for all sectors.

<sup>2</sup> Conceptualisations of 'Tiers 1, 2, 3 and 4' differ across industry and between companies. For the purposes of the survey, three categories were used. These were manufacturing (including assembly, cutting, sewing etc), processing and components facilities (including weaving, knitting, dyeing, printing, tanneries, finishing) and raw materials (including man-made and natural).

## STEPS TAKEN TO IDENTIFY MODERN SLAVERY



Answered: 24  
Skipped: 8

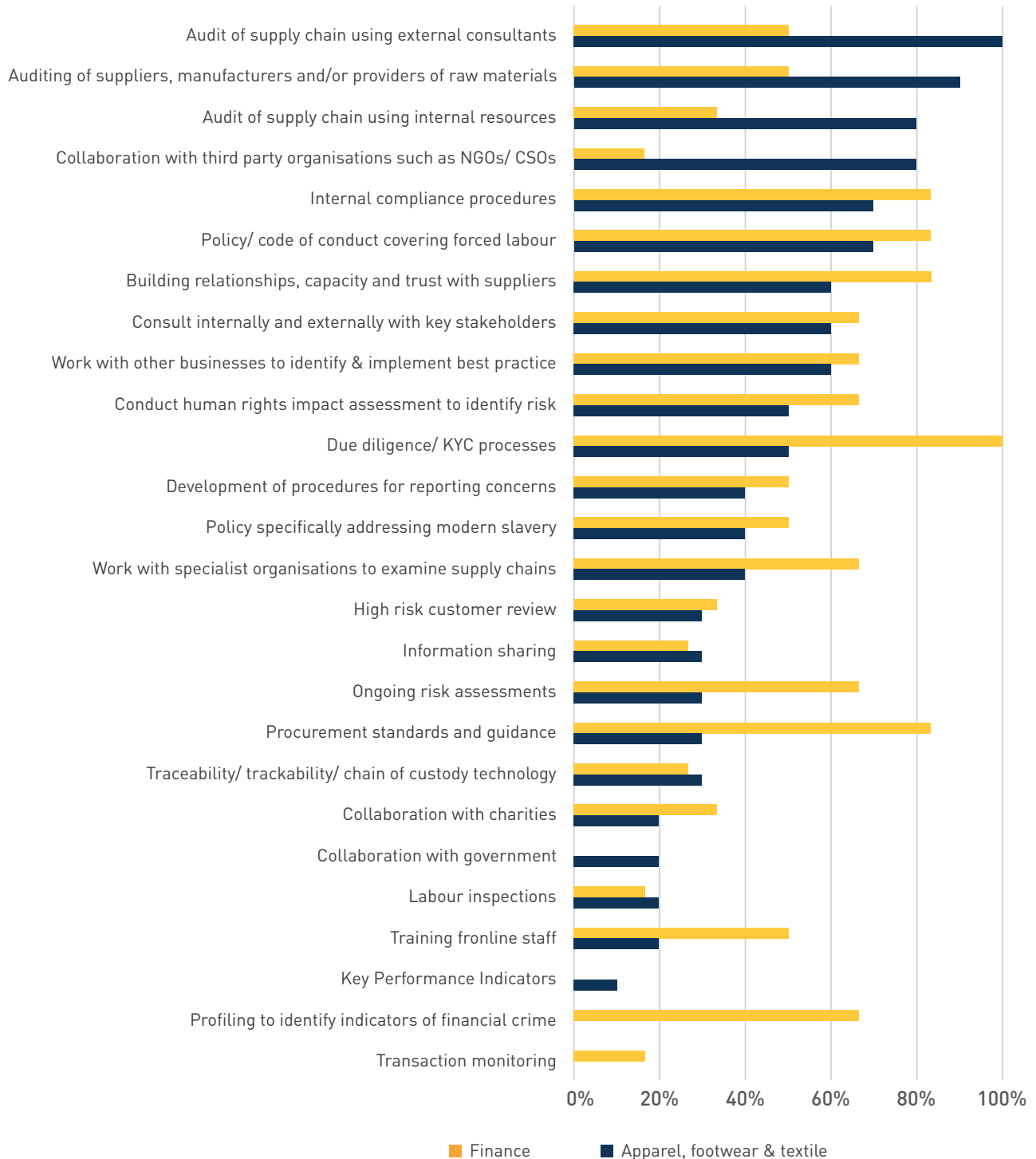
These strategies varied by sector. For the finance sector, clear areas of focus were related to due diligence/KYC processes (100% of respondents) as well as procurement guidelines, policy/code of conduct covering modern slavery, building relationships with suppliers and internal compliance procedures (all 83%).

For the apparel, footwear and textile industry, the focus trended more towards the use of auditing within supply chains. This included:

- auditing with the use of external consultants (100%)
- collaboration with third party organisations such as NGOs and civil society organisations (80%)
- auditing of suppliers, manufacturers and/or providers of raw materials (90%)
- internal compliance procedures (70%)
- auditing using internal resources (80%)

Strategies reportedly used less across all industries included key performance indicators and collaboration with government.

# IDENTIFYING MODERN SLAVERY IN THE APPAREL, FOOTWEAR & TEXTILE AND FINANCE SECTORS



**Apparel, footwear & finance:**  
 Answered: 10  
 Skipped: 2

**Finance:**  
 Answered: 6  
 Skipped: 2



# AUDIT PROGRAMMES

All audit programmes in the apparel, footwear and textile industry covered manufacturing facilities, and for seven out of eight organisations (88%) that answered this question they also covered processing and components. However, only half of audit programmes in this sector covered raw materials.

All audits in this sector were reported to be conducted by an independent or third party and contained a review of documents, as well as factory visits and interviews with management and employees:

- 88% included detailed questionnaires about the facility
- 64% included auditing of recruitment processes including labour from overseas
- 50% facilitated via the use of a standardised ethical auditing format
- 38% included reports from local NGOs and/or trade unions.

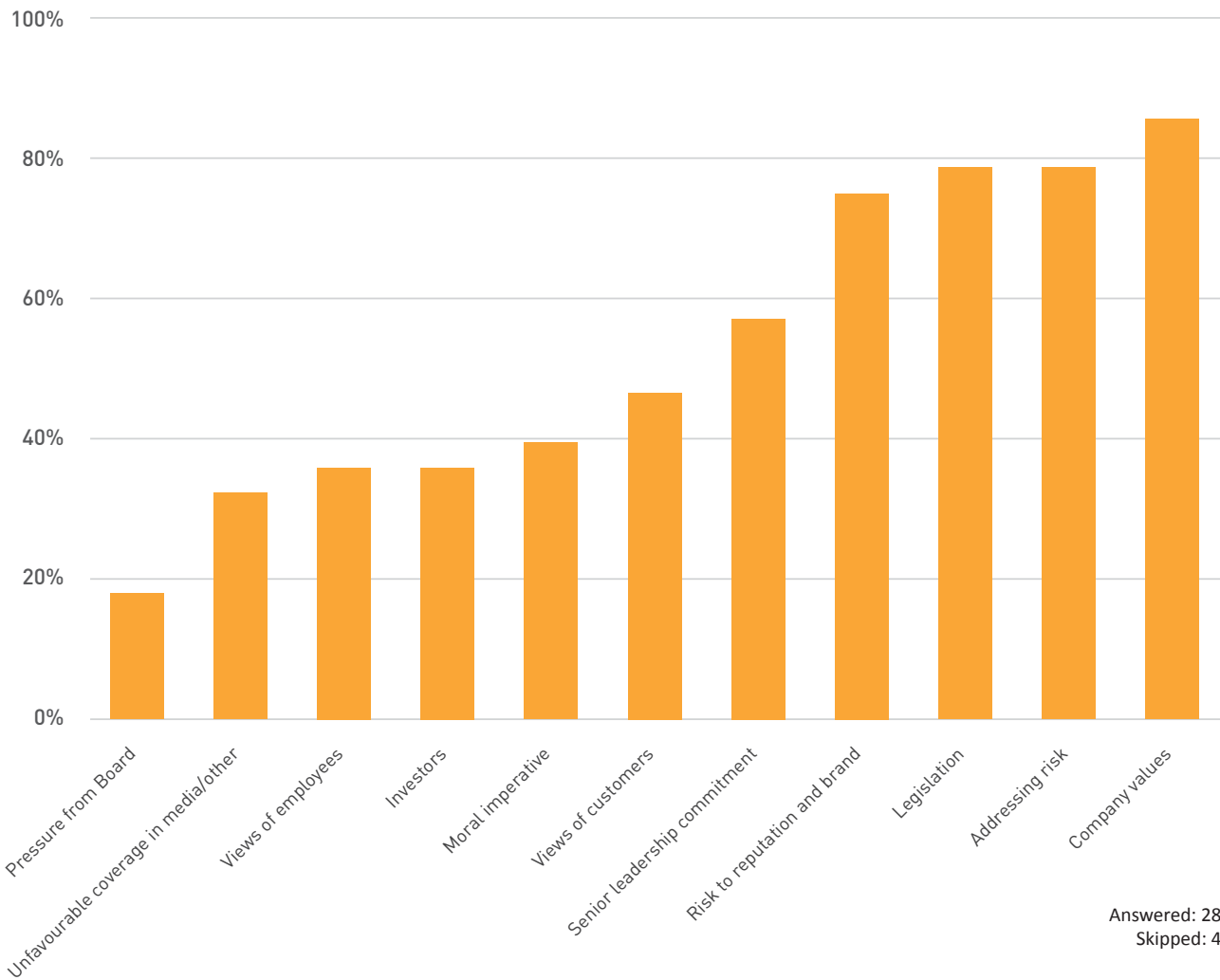
Auditing of facilities was less common for the finance sector, but the three organisations that reported this stated that the format included a review of documents, auditing of recruitment processes (including labour from overseas) and interviews with management and employees. Two organisations said they included reports from NGOs, and two stated detailed questionnaires.

# AWARENESS AND COLLABORATION

The survey also asked about drivers of change in attitude towards modern slavery within an organisation. Multiple reasons were cited across all sectors, but the most common were:

- company values (86%)
- addressing risk (79%)
- legislation (79%)
- risk to reputation and brand (75%)

# DRIVERS OF CHANGE IN ATTITUDE



Translation of these motivations into awareness amongst staff varied across organisations. In half of the organisations surveyed, staff received differing levels of training on awareness and identification of modern slavery, forced labour and human trafficking issues depending on their level of need. However, in 15% of organisations staff were reportedly not trained on awareness, and in the same percentage of organisations training only extended to those responsible for supply chain related decisions.

Only 8% of organisations felt that they had all the information they needed on the issue and knew where to find resources. Almost half felt that they had the information they needed although more was always helpful, and 40% wanted further information and resources or access to support. NGOs and the internet were the most commonly cited sources of support and information. Other sources cited included brands and industry sharing of best practice, external expert organisations, consultants, civil society organisations, industry partners, conferences and events. Individual responses also included the UN Global Compact, government support offices on trade and anti-human trafficking.

Collaboration in the finance sector was common, with nearly all respondents reporting working in partnership with other organisations. Half of all organisations in this sector reported partnering with other banks, law enforcement agencies or governments. A third reported working with the Joint Money Laundering Intelligence Taskforce, and other cited collaborations included the Mekong Club, Thomson Reuters, consultants and the European Bankers Alliance.

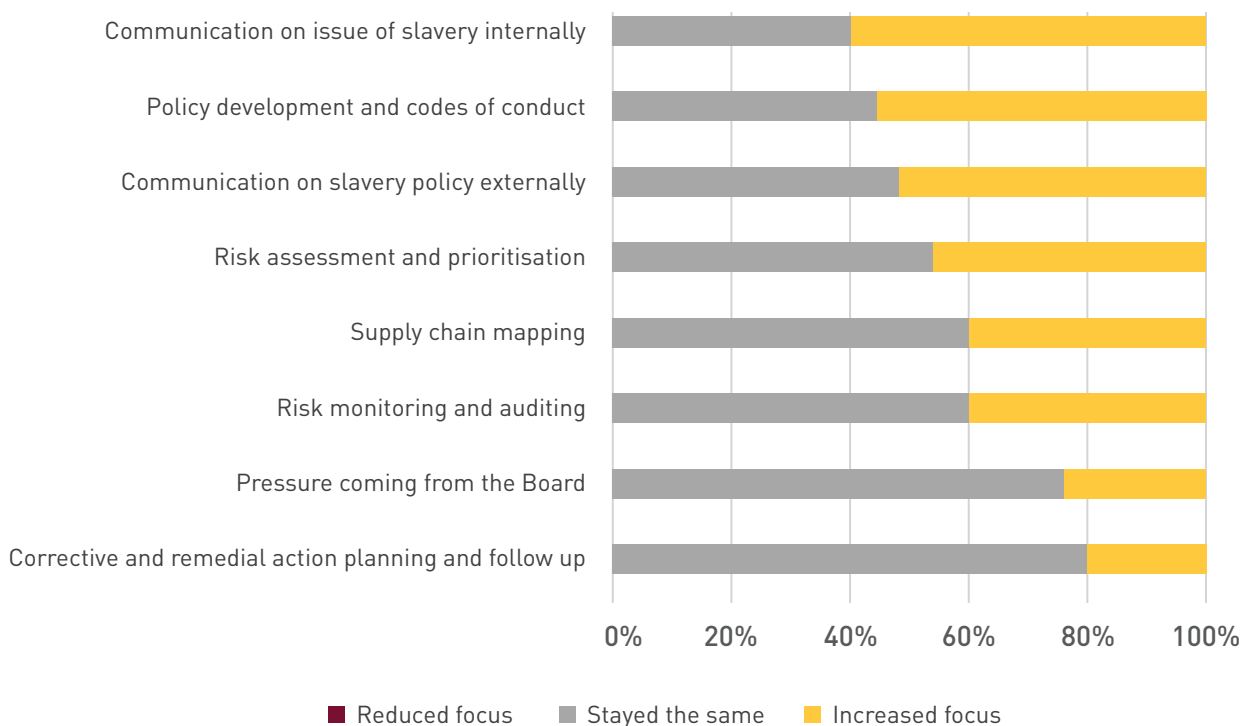
## ANTI-SLAVERY LEGISLATION

Following recent changes in legislation, such as the UK Modern Slavery Act and the California Transparency in Supply Chains Act, survey respondents were asked about whether focus in specific key areas had increased, decreased or remained the same. Legislation had meant that internal communication on the issue of slavery had increased for 60% of respondents. Other areas that have received increased focus as a result of legislation included:

- policy development and codes of conduct (56%)
- risk assessment and prioritisation (46%)
- risk monitoring and auditing (40%)

There were no areas where respondents felt that focus had reduced following the Acts, and for a quarter of respondents pressure from the board had also increased.

## BUSINESS FOCUS SINCE THE INTRODUCTION OF LEGISLATION



Answered: 27  
Skipped: 5

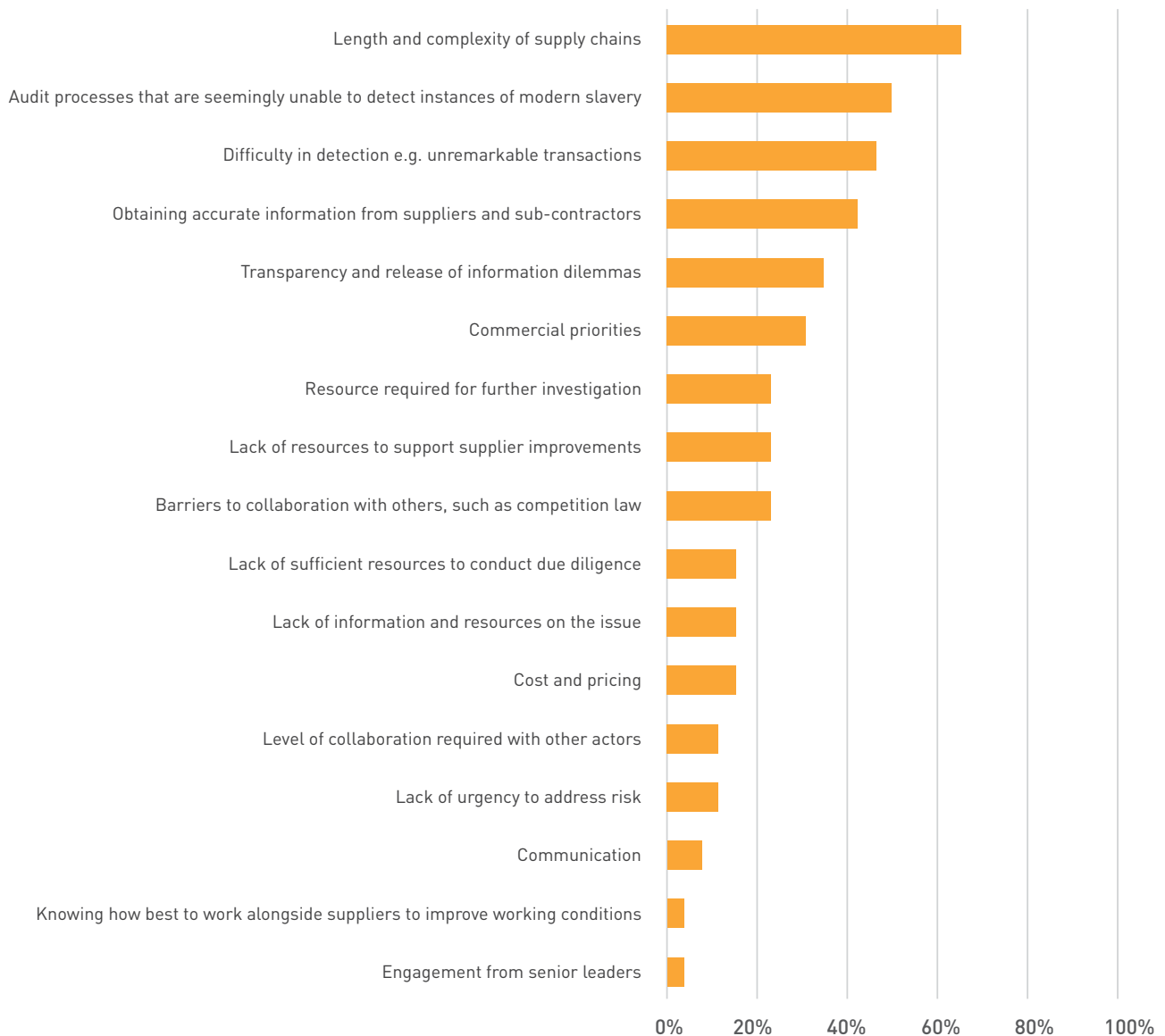
## CHALLENGES IN DETECTION

Half of all respondents felt that current processes to detect cases of modern slavery were working quite well, although one third reported 'not very well'. No respondents stated 'working very well' and one stated 'not working well at all'. Comments on difficulties included the fact that the next Tiers were 'not in scope', and a lack of information to create adequate auditing processes. In answer to this question, companies also noted what they are currently doing. This included continuing with general audits, which incorporated some basic information on modern slavery, and if a risk factor is found then in-depth processing to address the issue commences. Another comment included having the systems in place to systematically monitor problems relating to growing a main product, and then working to identify risks and conduct due diligence in other areas of the supply chain.

The barriers to identifying and addressing modern slavery were varied, but the most commonly cited across all sectors was the length and complexity of the supply chain (65%). Half of the respondents also agreed with 'audit processes that are seemingly unable to detect instances of modern slavery' – within the apparel, footwear and textile industry this rose to 60%. Other problem areas were obtaining accurate information from suppliers (42%) and difficulties in detection (46%) – this latter figure rose to 83% when examining the finance sector alone. Lack of information and resources, lack of resources to support supplier improvements and resources required for further investigation were also cited.



## BARRIERS FACED IN IDENTIFYING AND ADDRESSING MODERN SLAVERY



Answered: 26  
Skipped: 6

Nevertheless, respondents were able to cite several areas where they felt their organisations could respond more effectively. The most commonly cited concern related to the complexity of the supply chain. In cases where businesses were not in direct contact with those deeper in the supply chain there was a perceived need to improve auditing, visibility and transparency. Other areas included training and awareness of staff, as well as closer collaboration (e.g. with the anti-corruption team) and 'change of mindset' at a senior level. Additional suggestions included social assessments before placing orders, and development and implementation of policy and strategy.

## CONCLUSION

Despite multiple and complex barriers, organisations surveyed are making considerable efforts to identify and address modern slavery within their supply chains and business operations. For example, 79% of organisations have a policy which covers modern slavery and the fact that 71% make this public is promising. However, only around half of organisations have a separate modern slavery policy. Implementing such a policy is important to ensure clarity and awareness of procedures across partners and suppliers and should be a key first step for all organisations working on the issue.

Company values were felt to be important as a driving force for a change in attitude as well as legislation and there are suggestions that businesses have changed focus since the introduction of legislation – for example 60% report an increase on internal communications on the issue. However, despite this positive focus, clear obstacles remain. The largest identified barrier to identifying and addressing the issue was the length and complexity of supply chains. Additional difficulties include audit processes that were seemingly unable to detect instances of modern slavery and difficulty in detection (e.g. unremarkable transactions). Improved communication with partners and suppliers and clearer supply chain visibility are therefore fundamental. In addition, a focus on staff training for all staff, not just those immediately involved in supply chain decision making or communication processes would help to ensure that the issue is identified and addressed quickly and appropriately.

The fact that organisations have been willing to share information relating to their efforts is admirable. This commitment to sharing of information and ideas as well as best practice examples is important to move the field forward and identify additional areas for improvement. Collaboration is a key tenet of the work of the Mekong Club we will continue to work to support organisations in their efforts to share information and develop new tools and techniques that can be implemented.



For information, please contact

[info@themekongclub.org](mailto:info@themekongclub.org)

[www.themekongclub.org](http://www.themekongclub.org)